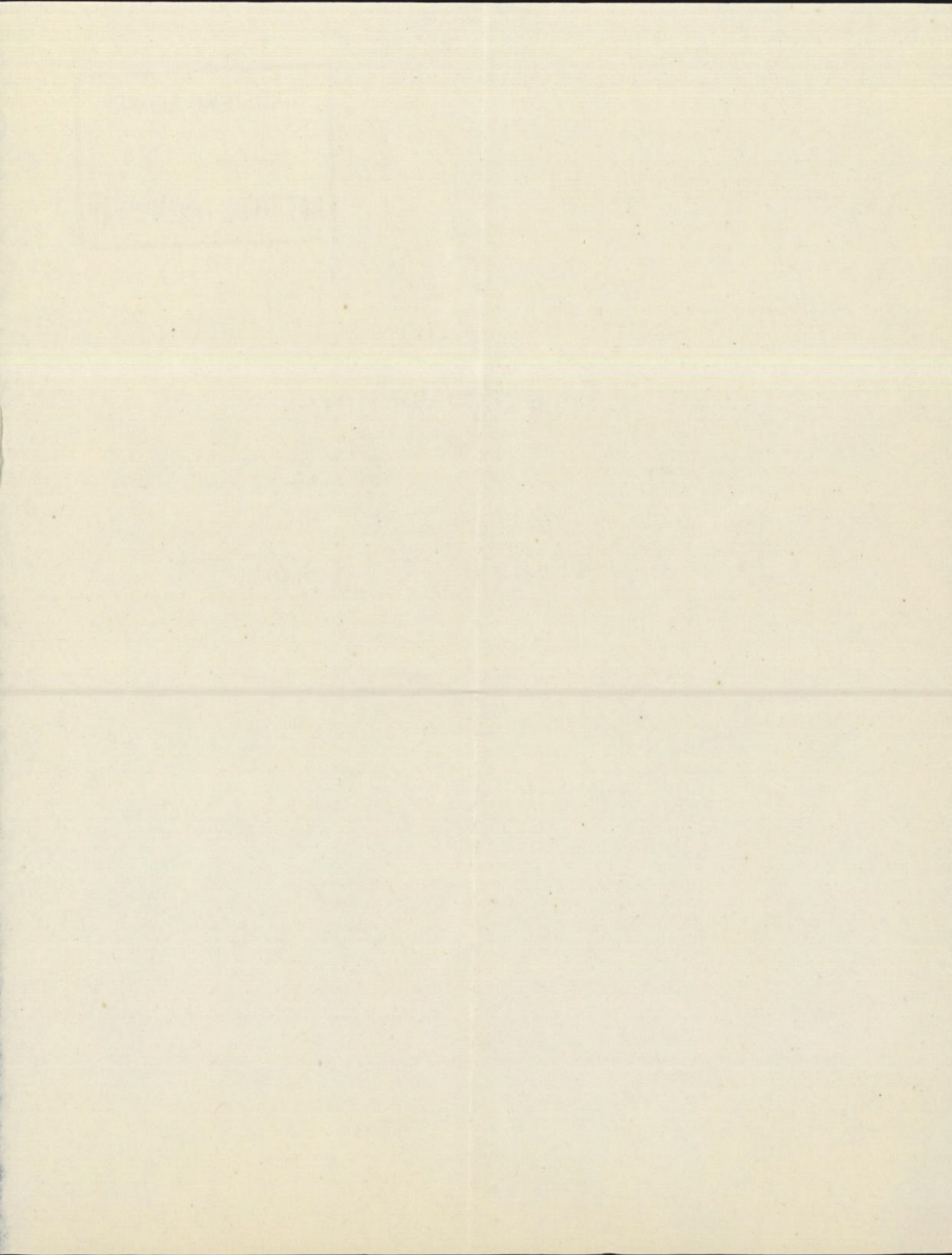


Financial Report  
OF  
GEO. A. HORMEL & COMPANY  
AUSTIN, MINNESOTA  
for the  
Fiscal Year Ended October 27, 1934





To the Stockholders of  
Geo. A. Hormel & Company

Austin, Minnesota  
November 20th, 1934

The earnings statement and balance sheet of your company for the year ended October 27, 1934, is submitted herewith.

The growth in the volume of the business of your company has been continued during the past year. Total sales amounted to 340,587,696 pounds, an increase of 15,078,593 pounds, or 4.63 per cent over the sales of the year before, and an increase of 80,011,460 pounds, or 30.7 per cent over the average for the previous five years. This increase is largely due to the enlarged facilities completed toward the end of last year.

Expressed in dollars, the increase in net sales over a year ago is more than \$8,000,000 - \$33,380,424.54 this year against \$25,202,417.12 a year ago - which reflects the higher prices prevailing in the packing business this year.

A company engaged in the packing business must at all times have on hand substantial quantities of meat in the process of cure and distribution. The very ownership of this inventory is a substantial factor in earnings on a rising market such as we have had during the past twelve months, or it may cause a substantial loss as it did during the year 1931.

We are continuing to price our inventories at the lowest of cost or market or replacement values, as has been our custom in the past.

All known bad accounts have been charged off in full. Loss on capital assets scrapped or disposed of has been charged off in full. \$250,-859 has been charged for depreciation on plant and equipment. A reasonable reserve has been provided for other contingencies.

The net worth of the company stands at \$9,229,320.77, which is an increase of \$206,151.07 over a year ago. Net quick assets are \$4,-003,670.36, a decrease of \$239,570.46.

The company was faced with the eventual need for certain new buildings and equipment. Since our cash position seemed to warrant it, certain substantial additions to plant have been made during this past year. Your officers felt that the facilities could be provided at a cost which might prove to be lower than costs in the future may be, and at a time when additional construction activity was unusually desirable to the community.

Of especial interest is the fact that in the building program was included the replacement of the original brick building built by Mr. George A. Hormel in 1892.

*(Continued on Last Page)*

## Geo. A. Hormel &amp; Company, - /

October 2

## ASSETS

## CURRENT:

Cash -----		\$ 920,765.22	
Accounts receivable:			
Customers' accounts -----	\$1,664,457.18		
Due from U. S. Government			
Agencies -----	544,517.80		
Sundry current accounts -----	32,000.00		
	<u>2,240,974.98</u>		
Less allowance for doubtful ----	100,000.00	2,140,974.98	
Inventories (Certified as to quantities by management) ----		<u>3,725,020.59</u>	\$ 6,786,760.79

## OTHER ASSETS:

Investment in affiliated Company - at book value -----		\$ 65,823.95	
Sundry notes and accounts -----	\$ 88,525.50		
Sundry securities -----	67,791.94		
Employees' stock purchase notes -----	59,907.12		
	<u>\$ 216,224.56</u>		
Less allowance for possible loss in liquidation -----	96,900.00	119,324.56	
Employees' advances -----		14,442.17	
Real estate - other than plant ----		<u>94,734.12</u>	294,324.80
PERMANENT - at cost			
Land -----		\$ 173,197.46	
Buildings, machinery and equipment -----	\$6,461,353.45		
Less allowance for depreciation ----	<u>1,557,776.99</u>	4,903,576.46	5,076,773.92

## PREPAID:

Plant supplies, unexpired insurance, etc.		139,711.06	
		<u>\$12,297,570.57</u>	

GEO. A. HORMEL & COMPANY,  
Austin, Minnesota

Gentlemen:

We have made an examination of the balance sheet of GEO. A. HORMEL & CO. 27, 1934 and of the consolidated statement of income and surplus for the fifty-two weeks of the Companies and other supporting evidence and obtained information and explanation of the operating and income accounts for the period, but we did not make a detailed audit.

In our opinion, based upon our examination (subject to the inclusion of the net current assets of \$87,288.95), the accompanying balance sheet and related statement and its subsidiaries at October 27, 1934 and the results from operation for the period. principles of accounting consistently maintained by the Company.

Minneapolis, November 12, 1934.



# ALANCE SHEET

## Austin, Minnesota, and Subsidiaries

27, 1934

### LIABILITIES

#### CURRENT:

Notes payable	\$ 200,000.00	
Accounts payable	464,370.70	
Federal processing taxes	1,699,927.46	
Dividends - payable November 15, 1934	146,480.00	
Accrued taxes, etc.	122,412.27	
Federal and state income taxes - estimated	150,000.00	\$2,783,190.43

#### RESERVE:

For contingencies	285,059.37
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#### CAPITAL:

##### PREFERRED STOCK - cumulative

	Class A - 6%	Class B - 7%	
Issued	14,554 shares	1,065 shares	
In treasury	100	273	
Outstanding	14,454	792	\$1,524,600.00

##### COMMON STOCK - no par value

Authorized	500,000 shares	
Issued	493,944	
In treasury	16,924	
Outstanding	477,020	5,907,015.92

##### Surplus (\$246,869.89 appropriated for capital

stock in treasury)	1,797,704.85	9,229,320.77
		<u>\$12,297,570.57</u>

Contingent liabilities reported -- \$114,294.02

COMPANY — AUSTIN, MINNESOTA, and its wholly owned domestic subsidiary as at October 31, 1934, ended at that date. In connection therewith, we examined or tested accounting records and documents from the officers and employees. We also made a review of the accounting methods and audit of the transactions.

In the absence of audit of the Mexican subsidiary without audit, these accounts consisting principally of income and surplus fairly present the consolidated financial position of the Company. Furthermore, it is our opinion that the accounts are fairly determined in accordance with accepted

Signed (ERNST & ERNST)

# SUMMARY OF INCOME AND SURPLUS

## Geo. A. Hormel & Company - Austin, Minnesota and Subsidiaries

*Fifty-two Weeks Ended October 27, 1934*

Net Sales				\$33,380,424.54
Less:				
Cost of goods sold (including Federal processing taxes of \$3,421,279.15) selling, administrative and general expenses		\$32,035,779.39		
Provision for depreciation		250,859.00		
Other Charges:				
Loss on capital assets scrapped or disposed of		\$84,648.43		
Provision for contingencies		66,000.00		
Miscellaneous charges - net	17,069.12	167,717.55	32,454,355.94	
				\$ 926,068.60
Provision for Federal and State income taxes - estimated				\$ 150,203.73
				\$ 775,864.87
Dividends on preferred stock				92,246.15
PROFIT AVAILABLE FOR COMMON STOCK				\$ 683,618.72
Dividends paid on common stock				476,967.65
				\$ 206,651.07
Difference between cost and selling price of treasury common stock purchased and sold				100.00
NET ADDITION TO SURPLUS				\$ 206,751.07
Surplus - October 28, 1933				1,590,953.78
SURPLUS - October 27, 1934				\$ 1,797,704.85
Represented by:				
Appropriated for capital stock in treasury		\$ 246,869.89		
Unappropriated		1,550,834.96		
		\$ 1,797,704.85		



An increase of \$8,000,000 or 32.4 per cent, in sales in a year during which price levels were constantly rising would seem to promise extraordinary profits. In point of fact, the operating expenses during the past year have increased so rapidly that a substantial portion of the profit realized is traceable to the rising market rather than to operating margins. Continually rising prices have tended to increasingly reduce the demand for pork meat and lard, until in September it stood at 70 per cent of last year's volume. This caused an even more vigorous price competition than is usual even in the packing industry, where price competition is usually intense and where margins are customarily narrow.

The prices of live stock, of course, advanced very materially during the year. In addition, processing taxes of \$3,420,000 were incurred by this company. Other taxes amounted to \$289,000. The prices of practically all supplies increased materially during the year. Due to the maximum hours provided under the N.I.R.A., many additional employees were required. On October 27, 1934, the company had 4066 people on its payroll as compared with 3575 for a year ago, and 2722 for May, 1933. The packing industry, which seems to be leading all industries in percentage of employment, has also maintained high wage rates, present wage scales being somewhat higher than the packing industry's average for 1929, and substantially higher than current national averages. Wages and salaries for this company for the year 1934 were \$4,705,243.38 as compared with \$3,558,395.30 for 1933 and as compared with \$3,286,886.84 for 1932.

The most difficult problem of the company during the coming year will undoubtedly be to maintain a favorable volume of sales. No advertising equals the spoken word of an enthusiastic user. Each stockholder is urged to demand Hormel products and to recommend them to friends.

JAY C. HORMEL  
President

GEO. A. HORMEL  
Chairman of the Board

BEN F. HORMEL  
Senior Vice-President

JOHN G. HORMEL  
Secretary

M. F. DUGAN  
Treasurer

H. H. COREY  
Vice-President for  
The PACKING Division

R. H. DAIGNEAU  
Vice-President for  
The ABATTOIR Division

E. N. STURMAN  
Vice-President for  
The FLAVOR-SEALED Division

